



**UNIVERSITI PUTRA MALAYSIA**

**PERCEIVED BARRIERS FOR CAREER  
ADVANCEMENT OPPORTUNITIES AMONG LOCAL  
MANAGERS IN JAPANESE SUBSIDIARIES IN THE  
KLANG VALLEY**

**NEELA CHANDRAN**

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AMONG LOCAL MANAGERS IN JAPANESE SUBSIDIARIES IN THE  
KLANG VALLEY**

**By**

**NEELA CHANDRAN**

**Thesis Submitted to the Graduate School of Management, Universiti Putra  
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Science**

**December 2003**



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in partial fulfillment of the requirement for the degree of Master of Science.

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**December 2003**

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This research empirically examines the extent to which perceived barriers to career advancement of local managers exists in Japanese subsidiaries in the Klang Valley. Japanese subsidiaries have a unique quality of high degree of centralization and this creates challenges when operating in a foreign country like Malaysia. These challenges create perceived barriers. Since these challenges are related to management directly, the local managers in Japanese subsidiaries are vulnerable to its influence.

The perceived barriers in this study were examined through an analysis of 317 local managers working in 41 Japanese subsidiaries in the Klang Valley. Six main perceived barriers were tested: 1) Access to power and decision making authority 2) Opportunities for Promotion 3) Benefits and Wages 4) Performance Appraisal 5) Feedback and 6) Stereotype and Discrimination.

The investigation was based on a quantitative method of data collection using a validated questionnaire. All the subsidiaries involved were from the manufacturing and

non-manufacturing sector from the Klang Valley.

Overall findings suggest that perceived barriers, as described in most literature, does indeed exist in Japanese subsidiaries in Malaysia and this hinders local managers career advancement opportunities. There is dualism between Japanese managers and local managers in terms of the way they are treated. Local managers' chances of promotion to higher positions are limited. This is due to an unofficial ceiling on promotion, preventing local managers from climbing to upper-level positions.

By confirming many of the findings of research on perceived barriers of Japanese subsidiaries, especially in developing countries, this study demonstrates that while local managers are in the Japanese subsidiary, they have to work harder than their Japanese counterparts, to overcome the stereotype that local managers are too inferior to hold higher management positions.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi sebahagian keperluan untuk ijazah Master Sains

**HALANGAN-HALANGAN DIPERSEPSIKAN UNTUK PENINGKATAN  
KERJAYA DI KALANGAN PARA PENGURUS TEMPATAN YANG BEKERJA  
DI ANAK-ANAK SYARIKAT JEPUN DI LEMBAH KLANG**

Oleh

**NEELA CHANDRAN**

**Disember 2003**

**Pengerusi: Raduan Che Rose, Ph.**

**Fakulti: Sekolah Pengajian Siswazah Pengurusan**

Kajian ini bertujuan untuk mengkaji secara empirikal, tahap kewujudan halangan-halangan yang dipersepsikan, dalam peningkatan kerjaya di kalangan para pengurus tempatan yang bekerja di anak-anak syarikat Jepun di Lembah Klang. Anak-anak syarikat Jepun mempunyai ciri unik iaitu tahap pemusatan kuasa yang tinggi. Ciri ini didapati memberi cabaran semasa beroperasi di negara-negara asing seperti di Malaysia. Cabaran ini didapati menghasilkan halangan-halangan yang dipersepsikan. Cabaran ini berkaitan dengan pihak pengurusan maka didapati para pengurus tempatan tidak dapat mengelakkan diri daripada pengaruh cabaran berkenaan.

Halangan-halangan yang dipersepsikan dalam kajian ini telah diselidik melalui analisis sejumlah 317 pengurus tempatan yang bekerja di 41 anak-anak syarikat Jepun di Lembah Klang. Sejumlah enam halangan yang dipersepsikan telah dikaji iaitu: 1) Ekses ke pihak berkuasa dan kuasa untuk membuat keputusan 2) Peluang peningkatan

promosi 3) Gaji dan ganjaran 4) Penilaian prestasi 5) Maklumbalas dan 6) Stereotaip dan Diskriminasi.

Penyelidikan ini menggunakan metodologi kuantitatif di mana pengumpulan data telah dibuat menggunakan borang soal-selidik yang telah disahkan. Anak-anak syarikat Jepun yang dikaji adalah dari sektor pembuatan dan sektor bukan pembuatan yang terletak di Lembah Klang.

Penemuan-penemuan penyelidikan menunjukkan halangan-halangan yang dipersepsikan ini sememangnya wujud di anak-anak syarikat Jepun di Malaysia dan ianya menjadi halangan terhadap peluang peningkatan kerjaya para pengurus tempatan. Terdapat dualisme dalam cara layanan terhadap para pengurus Jepun dan pengurus tempatan. Didapati peluang untuk promosi ke jawatan-jawatan tinggi bagi pengurus tempatan adalah terhad. Ini adalah akibat kewujudan halangan 'bumbung' tidak rasmi yang tidak membenarkan pengurus-pengurus tempatan naik ke jawatan yang tertinggi.

Penyelidikan ini dapat mengesahkan kebanyakan daripada penemuan yang didapati dalam kajian-kajian lepas, berkaitan kewujudan halangan-halangan dipersepsikan di anak-anak syarikat Jepun dan di negara-negara membangun. Di samping itu, kajian ini mendapati bahawa para pengurus tempatan mesti berusaha lebih keras berbanding para pengurus Jepun untuk mengatasi stereotaip bahawa pengurus tempatan tidak mempunyai kebolehan memegang jawatan tinggi.

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I certify that an Examination Committee met on **29<sup>th</sup> October 2003** to conduct the final examination of **Neela Chandran** on her **Master of Science** thesis entitled **“Perceived Barriers For Career Advancement Opportunities Among Local Managers in Japanese Subsidiaries in the Klang Valley”** in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

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## DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations, which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.



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NEELA CHANDRAN

Date: 29/12/04

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## CHAPTER I

### INTRODUCTION

The "miracle" of Japanese multinational's or even better known as Japanese multinationalism has been an issue of avid interest. It is only natural, if we consider the fact that Japanese companies came from nowhere not just to compete on an international level, but to dominate the world not only in terms of products, but in terms of production methods and management techniques (Kranias , 2001).

Going international is a common strategy and an essential step towards the future for companies that develop very fast in a degree that outgrows the size of their domestic market. Japanese companies could not avoid this flow and natural way of development (Tsuda, 1981). A few decades ago, they made the giant leap from total anonymity to fame and they showed an amazing growth rate. Today their presence is dominant in several fields of industrial production. This was not the only reason that led the Japanese to expand and venture into the overseas market (Yamawaki, 1991).

Dunning (1986) suggests three incentives for multinational companies to expand their value-adding activities in another country:

1. If they perceive their nationality of ownership or degree of multinationality, creates some kind of competitive advantage over indigenous firms (actual or potential) in the host country.

2. If they find it economical to exploit these advantages themselves, i.e. to internalize their use, rather than sell the right to do so to host country, via an arm's length transaction (e.g. a technical service agreement or management contract);
3. If they believe that it is in their global interest to produce at least part of the value-added service from a foreign location than a home location.

Dunning (1986) claims that ownership; internalization and location (OLI) advantages are the driving force for global expansion. Ozawa (1979) and Sachwald (1995) adapt this framework to the specific Japanese context and identify the reasons that lead the Japanese firms to globalization. Ozawa (1979) distinguishes both external and internal reasons:

1. The dependency of the Japanese production on foreign markets for the supply of raw material and the exports of production
2. The rise of environmental costs of industrialization at home
3. The increase in land prices and labor costs in Japan
4. The opportunities offered by several countries world-wide to attract Japanese capital
5. The rising protectionism against Japanese products in the world market and the rising yen.

Both internal and external incentives lead to the global expansion of the Japanese firms. The motives are classified in three basic types: natural resource-orientated, market-orientated and labor resource-orientated (Ozawa, 1972).

## **Background of the Study**

### **Japanese Culture on Foreign Subsidiaries**

The Japanese also spread their culture when they started going global. Culture is always an important aspect within an organization (Gapper, 1994). Its importance is further emphasized in the case of the Japanese multinational companies for several reasons. The most dominant of them is the simple fact that Japan is a unique country, fairly isolated from the rest of the world, which has developed an equally unique culture. By dominating the world business environment, this culture comes into the spotlight as a probable reason for the success of the Japanese multinational model and of course invokes a great deal of interest for practitioners and academicians around the world (Kranias, 2000).

This also explains how the culture affects the relationship between the Japanese parent companies and their subsidiaries overseas and the way that cultural requirements are transmitted to the periphery and the impact they have on the local culture as well as local managers. This influence is strong enough to be characterized as control and to map the limits of local autonomy after its application (Edlstrom and Galbraith, 1977).

### **Japanese Cultural Control**

Balliga and Jaeger (1984), note that cultural control is more common in Japanese firms. Ouchi (1981) suggests that culture is clan-like and identifies three elements that stem from it: trust, honesty and intimacy. All the organizational members are cultured and socialized towards a common set of societal values. Control stems from these common

values and is more implicit and informal rather than explicit and formal. Dunning (1986), in the same sense, identifies the imposition of the overall philosophy as one of the main sources of control. Oliver and Wilkinson (1988) claim that established attitudes, values and patterns of behavior have to be passed through all ranks of personnel to maintain unity. They all argue that the Japanese multinational companies try to control the subsidiaries through culture. Lee (1996) suggests that in Japanese organizations, sharing corporate values is the main means of control.

Balliga and Jaeger (1984) suggest that the features of Japanese management facilitate control. Elements like lifetime employment, consensual decision making and non-specialized career paths enable this process. Equally, the prospect of a long-term employment changes not only the attitude of the employee towards the company, but also the attitude of the company towards the employee. The company considers the employee an asset. Investing in the employee's socialization is in the interest of the company. Although Oliver and Wilkinson (1988) claim that such a procedure is time-consuming, the Japanese firms tend to insist on such a control system since lifetime employment provides abundance of time.

The frequent interaction of the organizational members through the consensual decision-making process also enables this function. Kranias (2001) claims that the frequent interaction facilitates the exchange of ideas and value sharing. Bartlett and Yoshihara (1988) believe the physical as well as the mental proximity is indispensable for the success of this type of control. Finally, Balliga and Jaeger (1984) claim that the

non-specialized career paths bring the employee closer to the overall organizational philosophy. Through rotation to different functional areas, the employee comes across the corporate ideology and the values of the organization as a whole.

### **Human Resource Management**

The use of cultural control has great implications on the selection, training and monitoring of the new organizational members. Selecting employees is critical. It demands thorough consideration, in order that the new members live up to the corporate expectations.

Graham (1995) claims that apart from the necessary skills for the job, the new members have to be sympathetic to the corporate values and ready to share the organizational philosophy. They have to be willing to accept the norms, ideology and behavioral prescriptions of the company. Dedousis (1994) argues that young employees with no previous experience are preferred to fill production positions.

This ensures the recycling of ideas and results in greater adaptability to the corporate philosophy at the same time. For example, young people are more likely to adjust to the spirit of teamwork of the Japanese companies. Furthermore, young employees are always more enthusiastic and the responsibility of supporting young families can also prove to be a strong incentive to work harder.

## **Transfer of Managers**

Bartlett and Yoshihara (1988), has shown that there are Japanese managers who know the company, its strategies and processes and act as the linkages in worldwide organizational process. Edlstrom and Galbraith (1977) conclude that this process creates international, interpersonal, verbal information networks throughout the firm, which are utilized for co-ordination and control. They identify three main reasons for the transfer of managers: first, it aims at filling positions, which the local management cannot cover successfully. Second, it provides the firm with managers who have long international experience. Finally, transfers could be a means of modifying or sustaining the structure and decision processes of the company.

In 1977, Edstrom and Galbraith found that the expatriates tend to be young professionals who consider this process as a good career opportunity or even as a good opportunity for an early retirement. They assume high hierarchical positions in the subsidiary and their aim is to implement the corporate philosophy. According to Kujawa (1986), this process is expected to ensure stronger and more direct control over the subsidiaries.

Edstrom and Galbraith (1977) identified two desired outcomes: First, the expatriates come closer to the national culture by speaking the language and learning the mentality of the host country. Second, their presence increases the commitment to the organization. Negandhi and Baliga (1981) argue that the presence of expatriates reduces the autonomy of the subsidiary. This is also consistent with the Japanese practice of



controlling the decision-making process, as suggested by Kujawa (1986), Dedoussis (1994) and Pucik (1994).

Kujawa (1986) has observed in his study that the US managers are excluded from the decision-making process. The expatriates make all the important decisions. According to Negandhi and Baliga (1981), this results in disappointment for the local staff who consider themselves powerless. This is one of the reasons that Dedoussis (1994) dichotomizes the local and the expatriate workforce in peripheral and core respectively. He says the core workforce enjoys all the privileges of the Japanese managers who work in the headquarters and control the decision-making process.

Edstrom and Galbraith (1977) claim that the frequency of the expatriate transfer should be taken into account too. The more frequent the transfers, the stronger the commitment to the organization and the willingness to sacrifice. Furthermore, the frequent transfers ensure limited social attachment to the host country, which can limit the ability of the expatriate to perform efficiently, his duties.

Apart from that, even the efficiency of this practice has gone under serious criticism. Bartlett and Yoshihara (1988) claim that it leads to a failure to respond successfully in terms of local demands and competitive environment. According to them, a culturally bounded, centralized, decision-making process appears to create serious problems. The same view is supported by Pucik (1994), he attributes the low level of profitability and the general failure of Japanese multinational companies to globalize the corporate